Benefits from CAFTA-DR
Minnesota

U.S. DEPARTMENT OF COMMERCE
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Minnesota's shipments of merchandise—manufactures and non-manufactures—to the CAFTA-DR region (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) totaled $58 million in 2004. The state's exports to the CAFTA-DR region increased by $26 million from 2000 to 2004, representing an 83 percent gain over that period.

Individually, several CAFTA-DR markets are multi-million-dollar trading partners for Minnesota. In 2004, the Dominican Republic received merchandise exports from Minnesota totaling $16 million and was the state's 40th-largest market. Costa Rica received merchandise exports from Minnesota totaling $14 million.

CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

CAFTA-DR will boost opportunities for Minnesota's exporters throughout the region, providing new market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be duty-free immediately upon entry into force of the agreement, with remaining tariffs phased out over 10 years. Key U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment, will gain immediate duty-free access to Central America and the Dominican Republic.

CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

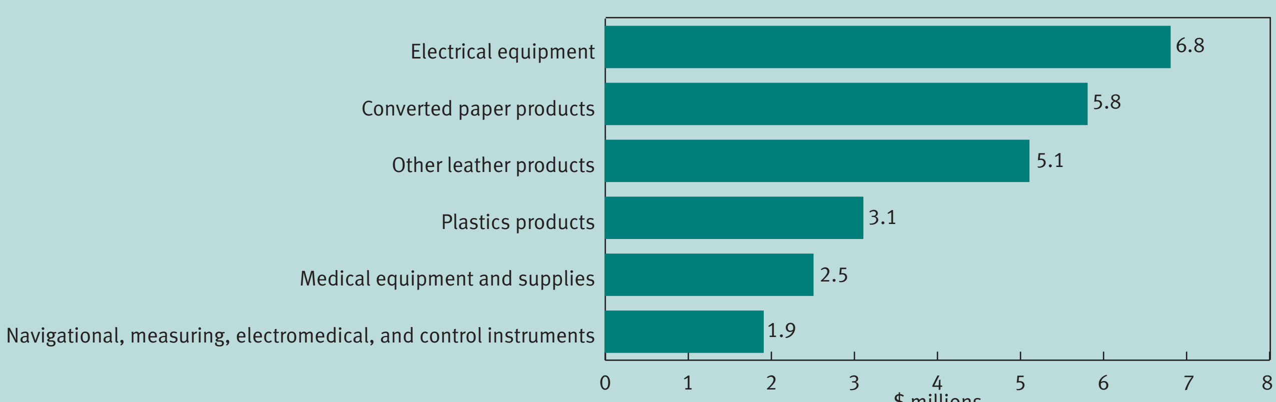
For 20 years, most Central American and Dominican Republic exports to the United States benefited from duty-free treatment, primarily as a result of the Caribbean Basin Initiative (CBI). Currently about 80 percent of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant tariffs.

CAFTA-DR Opens Markets for Key Minnesota Exports

Manufactures accounted for 80 percent of Minnesota's total merchandise exports to the CAFTA-DR group in 2004.

Electrical equipment. The state's top manufactured export category in the CAFTA-DR countries is electrical equipment: in 2004, Minnesota exported electrical

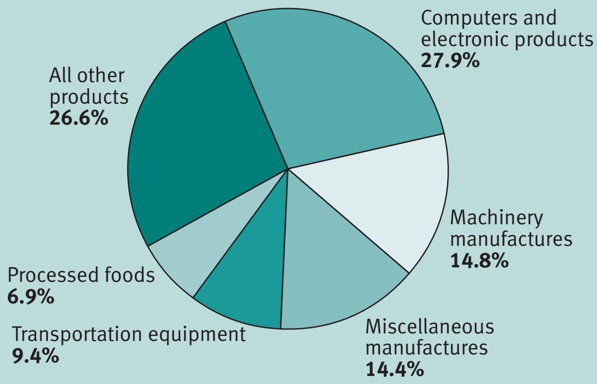
Minnesota Exported $47.0 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004
Electrical Equipment Leads Exports



Source: U.S. Department of Commerce.

Minnesota Exported $12.7 Billion in Goods to the World in 2004

Computers and Electronic Products Lead Exports



Source: U.S. Department of Commerce.

equipment valued at $6.8 million, a $5.2 million increase since 2000. CAFTA-DR should further enhance opportunities for exports in this and other sectors. In particular, tariff elimination on high-value electrical power generation and distribution equipment is timely. This sector is an excellent prospect for exports to CAFTA-DR, as the region is upgrading its energy infrastructure.

Footwear, leather, and leather goods. Miscellaneous leather goods accounted for $5.1 million in exports from Minnesota to the CAFTA-DR countries in 2004. Nearly two-thirds of U.S. exports will receive duty-free treatment either immediately upon implementation or after five years. The remaining tariffs will be eliminated over 10 years.

Paper products. Paper products are a valuable export commodity for Minnesota, accounting for $6.3 million in 2004. Overall, 78 percent of these U.S. exports to Central America and the Dominican Republic will receive duty-free treatment immediately upon implementation of the agreement. Tariffs on high-value paper products, including writing paper, coated paper, paperboard, cartons, and boxes, will, in most cases, be phased out immediately or in five years.

Minnesota Farmers Will Benefit from CAFTA-DR

Despite high tariffs and other barriers on most agricultural products, including those important to Minnesota's farmers—such as soy, corn, dairy, pork, and beef—U.S. exporters shipped over $1.6 billion in U.S. farm products to the CAFTA-DR region in 2003. A primary U.S. objective was to change the "one-way street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. More than 50 agricultural industry and farm groups, including the American Farm Bureau, support the FTA.

For more information on agricultural exports and the CAFTA-DR agreement, see the state fact sheets posted by the U.S. Department of Agriculture at *www.fas.usda.gov/info/factsheets/CAFTA/state.html*.

Minnesota's Exports Were Spurred by Past Trade Agreements

Since the North American Free Trade Agreement (NAFTA) was signed in 1993, Minnesota's combined exports to Canada and Mexico have increased by more than 80 percent. In the first year of the U.S.-Chile FTA, Minnesota's exports to Chile increased by almost 24 percent.

The Central American–Dominican Republic Free Trade Agreement (CAFTA-DR) group consists of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin—i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Source: Bureau of the Census, U.S. Department of Commerce, Origin of Movement series.

Prepared by the International Trade Administration, U.S. Department of Commerce.